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ABSTRACT

This essay is derived from a special round table on the public and private financing of higher education, jointly convened by the California Higher Education Policy Center and the Pew Higher Education Roundtable. Discussions were informed by two sets of commissioned papers. One set of papers was a group of case studies that examined the political and financial circumstances of California, Florida, Michigan, Minnesota, and New York to understand the climate for public and private institutions of higher education in those states. The second set of papers surveyed national trends and posed broad policy questions that for three decades have been at the center of discussions concerning the financing of higher education. From these discussions, five recommendations were drawn: (1) the nation cannot afford to have a higher education system stratified by socio-economic status and class; (2) the nation's colleges and universities need to see themselves and to be perceived by others as integral to a broader system of postsecondary education; (3) the nation will be best served by a mixed economy of public and private institutions; (4) higher education's research mission belongs primarily to the nation's research universities; and (5) outcomes in general and learning outcomes in particular provide the best gauge for matching what colleges and universities promise and the revenues they receive. (JLS)



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SPECIAL ISSUE

November 1996
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POLICY

# PERSPECTIVES

Supported by the Ford Foundation,
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# PERSPECTIVES

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## Rumbling

They are images of rent landscapes and changed futures—a punctured San Francisco Bay Bridge, California State University at Northridge amid collapsed buildings and fractured walkways, and perhaps the most dramatic of these images, the Meishin Expressway in Kobe, Japan, with its sculptured pylons still intact, toppled as if by a wayward child.

Increasingly, these are also the metaphors being invoked to describe the forced, often abrupt changes now facing American higher education. What is becoming clear is that many—some would say most, a few would claim all—of the basic presumptions that underlie both the operation and financing of the enterprise are in flux. Hence this issue of *Policy Perspectives* is about living in an earthquake zone—about learning to build the kind of flexible institutions, public policies, and approaches to funding that will allow higher education to flourish in the face of uncertainty. Metaphorically, it is about new building codes designed to preserve and enhance the academy's long-standing commitment to access and quality.

The essay itself derives from a special roundtable on the public and private financing of higher education, jointly convened by the California Higher Education Policy Center and the Pew Higher Education Roundtable, with support from the Ford Foundation and the James Irvine Foundation. Our conversations were intense, more than a little frightening, and in the end, remarkably optimistic. We came to understand that higher education was only at risk if it became brittle, made rigid by its own fixed costs and practices. Our discussions were informed by two sets of commissioned papers. One was a group of case studies that examined the political and financial circumstances of five states to understand the climate for public and private institutions of higher education in those settings. A second set of papers surveyed national trends and posed the broad policy questions that for nearly three decades now have been at the center of discussions concerning the financing of public and private higher education.

**What is becoming clear is that many—some would say most, a few would claim all—of the basic presumptions that underlie both the operation and financing of the enterprise are in flux.**

Perhaps it was only coincidence, but California provided historical as well as geological context for our discussions. Like many other discussions of the public financing of higher education, ours began by taking account of two California-based initiatives. The first was the California Master Plan for Higher Education, that remarkably coherent vision of higher education enacted in 1960 to provide

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for both access and quality. As originally conceived, there were to be three distinct layers of public institutions—community colleges, state colleges, and university campuses—each stratum with a unique mission, each serving a different academic segment of the college-going population. An integral part of the Master Plan was its generous scholarship program to assist residents choosing to enroll in a private institution within the state. To ensure full access, the cost to the student was kept purposefully low.

The second California legacy was the work of the Carnegie Commission on Higher Education during the late 1960s and early '70s, under the leadership of Clark Kerr, former president of the University of California. It was the Carnegie Commission that provided the classic formulation of the questions that came to shape public policy toward higher education: "Who pays? Who benefits? Who should pay?" The Commission's own answer, echoing the success of the California Master Plan, was that higher education benefits not just the individual but society as a whole; the return on the societal investment is not just an educated citizenry but a more vital and productive national workforce.

## An Altered Landscape

Today the ground has shifted from under this consensus, giving rise to a heightened sense of risk and an inordinate number of metaphors of cataclysmic change—of sea changes and tidal waves and shifting tectonic plates. It is the forces that underlie these changes—and their impact on the nation's colleges and universities as well as on individuals seeking to attain a higher education—that concern us in this essay.

*Conflicting demands on public revenue.* Over the last decade governments at every level have come to contribute less to the cost of providing postsecondary educations to their citizens. Between 1980 and 1993, for example, federal support for public higher education diminished by 2 percent, while state funds over the same period diminished by a whopping 8.8 percent. Private institutions actually gained slightly in terms of nominal state dollars but saw their federal support decline by nearly 4 percent.

Behind the more dramatic declines were fundamental shifts in state budgetary priorities—the product of a political push to balance the federal budget and the resulting devolution of federal programs to state and local governments. Many states now find themselves facing structural deficits—the recurrent financial shortfall brought about by Washington's mandate for medical services spending, compounded with local decisions to increase spending for K-12 education, prisons, and aid to the elderly—all of which are heightened by a political commitment to reduce taxes, accompanied in some settings by voter-imposed limitations on state revenues and expenditures. Beginning in 1990, Medicaid displaced higher education as the second largest state spending category (eclipsed only by elementary and secondary education); Medicaid's share of state appropriations rose from 10.2 percent in 1987 to 19.2 percent in 1995. During the same period, higher education's share of total state appropriations went from 12.3 percent to 10.3 percent. It was during this period that public institutions imposed rapid tuition increases to make up for the decline in state appropriations.

**It was the Carnegie Commission that provided the classic formulation of the questions that came to shape public policy toward higher education: "Who pays? Who benefits? Who should pay?"**

The decline in state appropriation as a proportion of total state budget has had a dramatic impact on the distribution of student aid within both private and public institutions. Given their price disparity with public institutions, private colleges and universities have found themselves subsidizing their students by offering tuition discounts in the form of financial aid. These discounts are financed to some degree by the "recycling" of tuition revenues—a practice that redistributes the tuition burden by supporting students of fewer means with the dollars of those who pay the full price. More recently, public institutions have come to adopt similar practices—while in some instances, the programs of financial

assistance that states created to help students afford private institutions are being used predominantly by students attending public colleges or universities. This structural shift in the distribution of publicly appropriated student financial aid has hastened private institutions along an already expensive path of maintaining student enrollments by offering ever deeper discounts funded by all other revenues. In these institutions it is not at all uncommon to have one-third of gross tuition revenues recycled into financial aid—a practice that ultimately reduces an institution's capacity to sustain, let alone renew, itself.

*Rising market forces.* As the force of public funding and initiative has diminished, the market has come increasingly to take its place as the dominant shaper of postsecondary education in the U.S. A whole new genre of for-profit educational providers has emerged in competition with traditional colleges and universities. Unfettered by the traditions of the academy, these specialized providers have understood the growing demand for higher education to address interests and needs that evolve throughout life; and they are proving that they can provide educational programs to satisfy a consumer movement increasingly concerned with attaining the credential that programs of postsecondary education are expected to provide.

**As the force of public funding and initiative has diminished, the market has come increasingly to take its place as the dominant shaper of postsecondary education in the U.S.**

Just over the horizon is a second wave of entrepreneurs ready to combine the educational and entertainment potential of electronic technologies, creating products and services to attract both young and older learners who are accustomed to "shopping" for the services they seek. What is at risk is the near-monopoly that traditional institutions of higher education have enjoyed in the provision of postsecondary education and credentials. Emerging in its stead is a commodity market in which an increasing proportion of students are buying their educations "one course at a time" from a variety of vendors, which these students consider principally as "outlets" for educational services. As this commodity market takes shape and expands, traditional colleges and universities will have to demonstrate anew that they are best qualified to define the substance, standards, and processes of higher education. Failing that demonstration, traditionally cast colleges and universities will lose much of their power to define the public good in their own terms and hence their virtual monopoly over the credentialing function that higher education now fulfills.

In response to these emerging market forces, nearly every institution finds itself rethinking its priorities and the means by which it delivers educational services. A few of the most prestigious and selective private institutions will not feel substantial pressure to change, and some highly regarded public institutions may seek to "privatize" in order to preserve what is most important to themselves. Some of the nation's most successful public research universities, feeling a disconnection between their internal values and the priorities of their state patrons, now ponder futures as independent or quasi-independent institutions that rely primarily on their own competitive ability and the generosity of their alumni. By far the majority of colleges and universities, however, will be forced to adapt to an environment of heightened competition from different types of higher education providers. Some institutions may prove incapable of meeting the challenge of new competition and fail; others will adapt successfully, becoming in the process more entrepreneurial and market-driven, despite the pressure of tradition exerted by accreditation agencies.

*A diminished sense of the public good.* In combination, these forces have undermined a consensus that for 40 years has guided public policy: that those who benefit and those who pay for higher education are part of the same collective "we" of public purposes. Whether it is deliberate or simply an accommodation to constrained resources, the new message is that the primary return on the investment in education is individual, rather than collective; that the public good is synonymous with the

choices and well-being of those individuals; and that those who benefit directly should assume the greatest share of the cost. Some still search for a spirit of collective commitment to the public well-being that looks beyond "getting one's own" to a concern for the ability of all members of a population to find opportunity through education. Others reply that in an age of federal devolution, multiple claims on public funds, and universal tax resistance, cost considerations and market forces necessarily shape the opportunity agenda.

**Constrained public revenues and new market forces have undermined a consensus that for 40 years has guided public policy: that those who benefit and those who pay for higher education are part of the same collective "we" of public purposes.**

### Fault Lines

Added to these largely external forces has been a set of institutional attitudes and practices that have placed higher education even further back in the queue for public funding. While colleges and universities still claim societal purpose, legislative critics in particular sense that, if left to its own devices, the academy would address change largely by remaining the same. The sluggishness with which colleges and universities recast curricula or pedagogy, their inability to take significant advantage of the new technologies to improve their students' capacity to learn, the veil of tenure that protects faculty from the kind of accountability that is common in other professions, all become part of an argument that sees a "disconnect" between higher education and the world without—a perception that higher education as an enterprise is neither willing nor able to become efficient and responsive.

Even higher education's staunchest supporters and benefactors have taken to wondering why colleges and universities are so reluctant to define and hold themselves accountable for student learning outcomes. For colleges and universities, seat time remains the common proxy for learning; students are presumed to be educated in proportion to the number and sequence of courses they pass en route to graduation. Would not, these friends ask, a more direct and useful accounting result from a focus on learning outcomes and an assessment of the progress students make in fulfilling those goals? Can measures of learning be devised that are readily understood and accepted both within the academy and in society generally? What troubles those who pose these questions is the academy's insistence that measurement is next to impossible, when other service professions, notably health care, have come to define publicly the outcomes they seek and hold themselves accountable for their achievement.

Perhaps the cruelest blow to higher education is a new devaluing of research for its overshadowing of undergraduate education. "Why," higher education's critics have taken to asking, "do faculty only want to teach the best students? Why is student success so often defined as becoming 'faculty-like'? Aren't faculty paid to teach undergraduates—all undergraduates? Isn't undergraduate education the basis for most appropriations to public institutions? Why should the public pay for the faculty's preoccupation with research and publication of specialized studies? Why are there so many more newly minted Ph.D.s than there are jobs that demand their specialized training? Why should the urge of individual faculty to discover and apply knowledge transform so many four-year institutions into self-declared 'research universities' at public expense, regardless of their original mission?"

Questions of this sort are proving more than enough to blur the distinction between frivolous and important discovery, in some quarters making the term "research" synonymous with self-indulgence. What is at risk is a national consensus, three decades in the making, that once saw universities and their faculty as fundamental investments in the scientific, technological, and scholarly preeminence of the United States. If this consensus gave rise to some of the most important human advances in history, it also helped create a value system within institutions that rewards research and publication over all other forms of scholarly achievement. Viewed from without, the pervasiveness of the research ethos and its cost to taxpayers are coming to be seen as a prerogative that faculty claim for themselves—almost an entitlement,



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regardless of the particular mission of the appointing institution or the importance of the research undertaken. For their part, faculty are perplexed, even offended by what they see as the mean-spirited nature of this scrutiny. "What has changed?" they ask. "Haven't we always been paid to be scholars, to be both researchers and teachers?"

The answer lies in the changing scale and homogeneity of higher education. Put simply, there are a lot more institutions that claim a research mission, that call themselves either universities or research colleges, and that make research success a criterion for tenure. What was once the province of the few has become the domain of the many, leaving state legislators and trustees to ask: "When did we agree to pay for all this extra research? Why are state dollars expended on faculty who avoid our undergraduates?" Finding it politically difficult to distinguish between necessary and unnecessary investigation, state legislators in particular have taken to asking why any of the funds they appropriate should go to research.

The immediate result is a further eroding of the willingness to regard universities and colleges as repositories of ideas. The ultimate result, many now fear, will be a fundamental reorganization of how the nation funds research. While a dozen or so

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of the nation's most prestigious and best-endowed universities would continue to attract external funding for research, the majority of four-year institutions would see such funding dramatically curtailed. The concept of faculty as teacher-scholars whose teaching is informed and renewed by their own intellectual exploration would be replaced by a conception that regards most faculty as simply teachers. Few indeed would be the number of universities or, more likely, independent research institutes with sufficient resources to conduct major research projects. In the competition for a much smaller "research pie," the humanities and social sciences would find themselves largely displaced by the natural sciences, and basic research would take a back seat to that which is applied and technological.

**We believe the future can be shaped; the changes in funding patterns for colleges and universities do not constitute an inevitable decline of higher education.**

### Sustaining Values, Altered Questions

It is this combination of public perceptions, altered state-funding priorities, and market forces that now compels colleges and universities to be more efficient and more entrepreneurial in their search for new revenues. Because the causes of reduced public funding are multiple, most understand that higher education cannot hope for a cyclical upturn that restores funding to previous levels and obviates the need for greater accountability to both markets and public agencies. Only a naive idealism could hope for a full-scale return to the era of broad public finance of higher education that the Master Plan and the Carnegie Commission helped to create.

Every age embodies its own fears about change in the language and images it creates. It is a penchant of the current age to define itself through a series of "post-" constructions: post-modern, post-literate, post-rational. The frame of mind that gives rise to these constructions can make it seem that all potential for initiative is past and the future determined wholly by forces that exceed the power of individuals or organizations to shape. We believe the future can be shaped; the changes in funding patterns for colleges and universities do not constitute an inevitable decline of higher education. The challenge to the nation's colleges and universities, and to those who share responsibility for their continued vitality, is to posit a future that engages the commitment of all stakeholders—legislators, business leaders, institutions and their faculty, parents, students, and the general public—to sustain a



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system of higher education that is characterized both by quality and broad accessibility.

In the end, it will prove a question not just of vision but of values—those principles that ought to define the requirements for an educated citizenry and the purposes of a knowledgeable society. Here we see a sharp distinction between means and ends, between the current funding patterns of higher education and its public purposes. To confuse the two would be to conclude that because higher education receives less funding today, it has become less important or that its value consists mainly in the conferring of status and distinction on those willing and able to meet the price of entry. In fact, higher education has never been more important to society—as an enabler of individuals, an engine of economic transformation, and a source of community cohesion and national awareness. The principles that have shaped the American academy and made it important to society writ large ought to remain unchanged: that education is a means to personal improvement and social mobility; that inclusive rather than exclusive systems of education offer the greatest return on societal investment; and that choice—of institution as well as course of study—is itself an important guarantor of educational quality and instructional innovation. What has and will continue to change is how higher education achieves these ends. Higher education's changing circumstances must inevitably result in changed practices, in different means for realizing enduring ends.

**Higher education's changing circumstances must inevitably result in changed practices, in different means for realizing enduring ends.**

Necessarily, then, the basic questions concerning the financing of higher education—"Who pays? Who benefits? Who should pay?"—will need to be re-asked, in some cases as a means of distinguishing between the different missions that higher education fulfills: "What should be subsidized? From what sources? For what purpose?" Indeed, what is now required most is a renewed discussion of the role that public agencies and public funds need to play in ensuring a broad-based, necessarily mixed system of higher education. The questions that need to be asked in state capitals, in state higher education commissions, within the federal government, and within colleges and universities are as diverse as the constituencies that have a stake in the public's investment in higher education. From our roundtable discussion we have distilled a set of initial queries that can help promote the larger discussions we seek. The answers are likely to differ according to location, demographics, and economic circumstance. The important thing is that the questions be asked and suitable answers found among all those who control the levers of access, quality, and performance accountability in higher education.

- *The roles of state and federal government.* In what ways should the relationship of government to higher education change in response to changing public needs? Does any attempt to establish a model vision or policy amount to a waste of time in light of the considerable differences among states as well as among institutions? What should be the relationship between federal and state funding of higher education? To what extent should states be directly involved in the operation of institutions? Would the public interest be better served if a state's role was to focus primarily on evaluating, assessing, and certifying the education provided by its colleges and universities?
- *Access to opportunity.* The concept of access to higher education was first proposed and aggressively pursued in the 1950s and 60s, during which time the college-going population was still overwhelmingly white and largely middle class. In what ways have the circumstances that brought higher education within reach of most young Americans changed in the current age? Is there a more cost-effective way to provide access and quality in an era of greater competition for public funds? To provide continued access to opportunity, what combination of providers and what funding mechanisms would optimize public and private investments in higher education?
- *Tuition and student aid policy.* What objectives should guide the policy—within state legislatures as well as individual institutions—of setting tuition? What mixture of tuition



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and financial aid will ensure the most equitable system of access to higher education? Should publicly provided student financial aid be more conditional on a recipient's demonstrated capacity to learn? On that student's ability to apply the lessons of the classroom in the world outside the academy? Where do the benefits of higher education lie on a sliding scale between purely public and purely private? If general education yields more of a public benefit and professional training more of a private benefit, should tuition levels reflect such distributions of societal and individual return on investment?

- *Privatization and the public good.* To what degree do public institutions of higher education require a guaranteed funding base to succeed? Once the state is no longer the principal patron of a public college or university, to what extent should that state set institutional policy or regulate institutional practice? Would public research universities, in particular, have more robust futures as independent or quasi-independent entities? Should the public divorce its interest and support from institutions that do not have a broader public interest? Under what circumstances might the public be well served if institutions built with tax dollars were free to charge the market price for the education and services they deliver? What would the transition to quasi-independence entail, economically and politically?

- *Technology and market forces.* In what ways will technology impact the nature of teaching and learning in the future? How can public policy or public investment work most effectively in conjunction with market forces to ensure that the technological transformation of higher education produces real enhancements to learning? Under what circumstances are public agencies likely to be more equitable than the market in distributing access to or funds for technology?

- *Better performance outcomes.* How can the public in general and public agencies in particular ensure that they are getting fair value for public investments in higher education? In what specific respects must higher education do a better job of preparing graduates for the future? To what extent must such judgments await the development of effective measures for gauging the performance of colleges and universities? Whose responsibility is it to develop such measures? To what extent can public policy either encourage or mandate institutions to use the feedback gained from the assessment of student learning to improve their own performance as designers of learning experiences?

- *Linking funding to performance.* To what degree should the funding of higher education be tied to the performance of either institutions or students? In what set of operations can the linking of dollars to outcomes provide a way to help colleges and universities overcome their seeming inability to realize productivity gains? What safeguards can ensure that a state government actually rewards institutions for successfully attaining performance objectives? What steps can guard against long-range objectives for improving quality giving way to short-term political agendas?

**The important thing is that the questions be asked and suitable answers found among all those who control the levers of access, quality, and performance accountability in higher education.**

- *Access and institutional capacity to change.* The one innovation that most clearly broadened access to higher education in the 1960s was the community college. While these largely new institutions put a higher education within reach of almost every American, they did so for the most part without requiring four-year institutions to change. How can public policy enlist the energies of all types of institutions in meeting the twin challenges of access and innovation in the current age?

- *The quality and quantity of publicly funded research.* What role and/or obligation do states

have to fund research in public institutions? To what extent should the federal government be a major investor in the research infrastructure of America's principal universities? To what extent should the public role be limited to purchasing the specific research that public representatives determine is in the interest of the nation or a particular state? Do public agencies have sufficient leverage or mandate to strike a better balance between the demand for graduate education and its supply?

## Principles First

The answers to these questions are neither simple nor preordained. What the nation has lost is that consensus that once made the answering of such questions a largely derivative exercise. The necessary answers involved not so much the "what" of the matter as the "how": How could public policy and public funds best achieve previously agreed-upon outcomes? Now, basic questions of ends as well as means need to be asked anew. To begin that conversation, we offer five recommendations, starting points really, that we believe provide a framework for public initiative as well as public responsibility.

1. *The nation cannot afford to have a higher education system stratified by socio-economic status and class.* A public disposition that allows demographic attributes to supplant individual promise in determining educational opportunity will lead to a society divided increasingly into haves and have-nots. Here the proof will be in the pudding. If public policy, by allowing tuitions to rise without a concomitant increase in funds for financial aid, yields a set of colleges and universities that are homogeneous by either race or economic class, then that policy is fundamentally flawed. It is simply not acceptable to suppose that lower-income students should confine themselves to lower-priced institutions, while those of greater means enjoy the privilege of attending more costly institutions that too easily claim the mantle of quality.

2. *The nation's colleges and universities need to see themselves and to be perceived by others as integral to a broader system of postsecondary education.* For a half century or more, access to higher education has been synonymous with access to socio-economic mobility. It is that prospect that principally accounts for higher education's expansion since the Second World War. It is also a promise that is proving increasingly difficult to fulfill as more and more families have sought a college education in hopes of economic advancement. Not even in America are "all the women strong, all the men good looking, and all the children above average." Attending college no longer ensures an "above average" future, and a four-year degree may not be the most appropriate goal for every American seeking a postsecondary education. What higher education needs now is a set of effective partnerships with the other providers of postsecondary education, including the military, vo-tech schools, corporations, and proprietary institutions—each of which has learned lessons that could contribute to a collective rethinking and improvement of teaching and learning, and to a better alignment of individual aspirations with educational settings.

3. *The nation will be best served by a mixed economy of public and private institutions.* It is in the public interest to have a strong sector of independent colleges and universities—to ensure access, to provide choice, to spur innovation, to respond to changing markets and expectations. The current trend, however, is in the opposite direction, placing many private institutions in a vicious cycle of tuition discounting that creates structural deficits and too often makes these institutions unable to invest in their own futures or offer their students what an increasingly competitive world demands. The result will likely be a diminished private sector and hence a shrinking horizon of choice for those who would attain a college education.

4. *Higher education's research mission belongs primarily to the nation's research universities.* The desire of institutions to enhance their reputation through an expanded research function must not be allowed to undermine the quality of undergraduate teaching and



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learning—within an institution, within state systems, and within the nation at large. Faculty naturally seek the intellectual renewal that accompanies the pursuit of new discovery, but it is important that this pursuit not come to eclipse the primary emphasis on undergraduate education that exists at all but a few institutions in this country. It is an open question how many research universities are needed—within the nation, or within individual states—and what those institutions ought to cost the public at large. We believe, however, that what the nation needs now is less of a good thing—fewer faculty and departments that define their futures primarily in terms of the quantity of the research they produce and the size of their graduate Ph.D. programs.

**To what extent the nation wants the market for higher education to be shaped by public initiative is the question public agencies in partnership with both public and private institutions need to answer—now!**

5. *Outcomes in general and learning outcomes in particular provide the best gauge for matching what colleges and universities promise and the revenues they receive.* Like every other American enterprise, colleges and universities are learning the value of efficiency in pursuit of well-defined outcomes. Whether the spur that makes that lesson both important and painful is market discipline or public mandate, the academy is also learning that publicly defining outcomes is not easy, and that the corresponding sense of accountability is often elusive. For colleges and universities, a first step to greater accountability is to identify a set of outcomes that has meaning both to themselves and to the constituencies they serve. What is required now is a clearer demonstration that success in this arena has tangible rewards—greater opportunities and more public support, including more financial support.

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Once it was possible for colleges and universities to look inward and define the challenges confronting them in their own terms—to presume that the answer to problems in society could be found in the curriculum as they defined it. Much of the academy still wishes it enjoyed that sense of autonomy and deference once accorded institutions of learning. Indeed, the question most often asked within the academy is still: "How can society be made to recognize and support the value of what we do?" In contrast, the question now regularly asked by legislators, employers, parents, and students, is: "How can higher education serve us better?"

How the tension suggested by these two questions is resolved will largely determine how the nation chooses to finance its system of higher education. It is not so much a matter of specific enrollment formulae or financial aid programs as it is a search for both common and secure ground. What our own conversation taught us is that there cannot be a prescribed answer—no twelfth commandment proclaiming that "this is the way it must be done." No one knows enough to anticipate how external changes will transform the academy or higher education's own reactions to the challenge it faces. The system of higher education that emerges in the first decades of the new century will be as different from today's as the system that evolved after the Second World War was different from that which prevailed at the beginning of this century. Higher education will either transform itself or be transformed as new markets, new technologies, and new competitors recast the business of the business—changing, in the process, how colleges and universities organize and deliver instruction as well as how they structure and manage their enterprises. What will work least of all are policies that micromanage the enterprise, yielding institutions that are more brittle and hence subject to convulsive change. Higher education needs public policies that facilitate this transformation, not regulations that make more fixed colleges' and universities' current modes of operation.

Some will argue that only the discipline of the market can make colleges and universities more efficient and effective—more capable of operating with reduced revenues, more likely to respond to

the needs of their stakeholders. We believe more is required. Because there is public purpose to higher education, there is public obligation as well. The market will come to play an increasingly important, perhaps even dominant role in determining the nature and range of learning experiences that colleges and universities provide, and the kinds and quantity of research they supply. But markets can also be shaped, by creating more knowledgeable consumers, by regulating practices and customs, and by providing subsidies that guarantee equal access to the goods and services a public market supplies. To what extent the nation wants the market for higher education to be shaped by public initiative is the question public agencies in partnership with both public and private institutions need to answer—now!

The Pew Higher Education Roundtable program is funded in part through the generosity of The Pew Charitable Trusts.

This special issue of *Policy Perspectives* is a joint effort of the Pew Higher Education Roundtable and the California Higher Education Policy Center.

The essay, "Rumbling," is based on a special Roundtable on the Public and Private Finance of Higher Education, convened in June, 1996. Major support for this roundtable was provided by the Ford Foundation, the James Irvine Foundation, and The Pew Charitable Trusts. The Western Interstate Commission for Higher Education (WICHE) and the Southern Regional Educational Board (SREB) served as co-sponsors of this special roundtable.

In preparation for the roundtable discussion, case studies were prepared that examined the political and financial circumstances affecting higher education in five states: California, Florida, Michigan, Minnesota, and New York. Copies of these case studies, and of the other policy papers mentioned in this essay, may be obtained from the California Higher Education Policy Center, 160 West Santa Clara Street, Suite 704, San Jose, CA 95113.

The following individuals served as participants in the Roundtable on the Public and Private Finance of Higher Education and helped to shape the resulting essay:

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